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## Worldwide Reports

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Kilauea Lighthouse, Kauai

# Trade Invest Monthly

## Hawaii's International Business Network

### HAWAII NOTICES

#### Search for the Governor's Exporter of the Year

The search has begun for Hawaii's top exporters in the 2002 *Governor's Exporter of the Year* award competition. Completed applications must be received by 4:30 p.m., Friday, July 31, 2002.

Winners of the following categories will be considered for the top award; High Technology, Professional Services, Manufactured Products, Fresh Commodities, Export Trading Company, New Exporter.



#### Criteria:

- Winners will be chosen based on such considerations as: sustained profitability; sustained sales growth; expansion of company; outstanding, aggressive and creative marketing, the successful introduction of a new export-product; and/or the development of a new market outside of Hawaii for an existing product not previously exported.

In addition, an *Outstanding Contributor to Exporting* award will be given to an individual and/or organization that has been instrumental in promoting Hawaii exports.

- Exports should constitute at least 20% of the ap-

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#### Taiwan Biotech Status for Hawaii Companies

Source: Alex Lei, State of Hawaii Office, Taipei.

The State of Hawaii Office in Taipei has been in contact with the Biotechnology & Pharmaceutical Industries Program, MOEA (BPIPO) in its efforts to further develop Hawaii's biotech opportunities in the Taiwan market.

BPIPO is the Taiwan Government's official gateway to assist foreign biotech and pharmaceutical companies coming to Taiwan for fund raising and partnership formation.

This agency is important for Hawaii companies who may be seeking corporation or fundraising investment. They serve as a matchmaker to bridge the connection between the overseas firm and the Taiwan company.

The Taiwan government has budgeted NT20 billion on biotechnology developments, and thus far only 20% has been used – thereby the remaining 80% is still available for development and investment.

For more information, contact: Ms. Tina Lin/Manager, Biotechnology & Pharmaceutical Industries Program Office, MOEA; 5F, No. 18, Sec. 1, Chang An E. Road; Taipei, Taiwan 104

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Or refer to webpage: <http://biopharm.maeaidb.gov.tw>



#### WUSATA - Guide to Export Pricing

Source: John Kauke, Principal of Global Market Linkage, article for Western U.S. Agricultural Trade Association (WUSATA) *Western Agri-Export* (April 2002) publication.

One of the trickiest tasks for new exporters and veterans alike is setting export pricing for a new market of new product. Often companies start with little or no market information on which to base their prices. Moreover, there are always many factors to consider in setting prices that will allow for success and profits in the market. Here are some pricing suggestions that I often cover in an Export Readiness consultation:

#### When to do it

The challenge of pricing should be faced early in the process of market selection, because if you can't sell competitively and make money, you want to select another market.

#### Start at the shelf: The process of working backwards

To arrive at export pricing for a specific market, start at the retail shelf or the end user's delivery dock in the target market. You can do this in person or by proxy. If you can visit the market, survey the points of sale where you want your products to compete. Here are the most common steps:

- Note the prices for products with which you intend to compete.
- Plot where you want your product to be priced (same, higher, lower than competing products).
- Find out the margins taken at all levels in the market (retailer, distributor, manufacturer or importer, etc.).
- Add in costs of transportation, duties, customs, handling, etc.
- Working backwards from the shelf (consumer) price, subtracting each margin or cost factor, you will arrive at "what's left" when you have the product ready to ship from your facility.
- Is the resulting margin acceptable to you? If so, this might be a good market.

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## Worldwide Market Reports

To request reports, send the request form by Fax: (808) 587-3388 or email: [tradeinvest@dbedt.hawaii.gov](mailto:tradeinvest@dbedt.hawaii.gov). The report service offered is reserved for Hawaii companies only. If you are outside of Hawaii and are interested in the reports highlighted in our newsletters, please go to the United States Department of Commerce website, [www.stat-usa.com](http://www.stat-usa.com). You will have the choice of ordering the reports you need for a small fee or you can subscribe to their service for an annual fee and have unlimited access to all reports and services. Also, some of these market reports are located at [www.usatrade.gov](http://www.usatrade.gov)

### Thailand – Aquaculture Equipment & Products

*Source: U.S. & Foreign Commercial Service – Thailand.* The Thai aquaculture sector is fast becoming the third largest business sector in Thailand, next to tourism and electronics. The sector employs over two million people on 30,000 farms (300 hatcheries) and industry sales total US\$7 billion.

Thailand has been the world's largest shrimp exporter since 1993, with a 30% market share.

The success of shrimp farming has created a huge market for aquaculture equipment and products. The U.S. & Foreign Commercial reports that there are good opportunities in Thailand for the following products: artemia cysts (brine shrimp egg), high quality fish meals and feeds, feed additives & supplements, premix and vitamins, water treatment chemicals, chemicals & antibiotics, water testing and measuring equipment, lab equipment, microorganisms (good bacteria), and used diesel engines for aerators. American products are well regarded in Thailand for their quality and reliability, especially lab testing & measuring equipment.

Thailand imports aquaculture products and equipment from the U.S., Europe, China, Japan, Argentina, and Russia.

The market for aquaculture is not highly competitive because the market keeps expanding locally and abroad. There are about 26 major suppliers of aquaculture products in Thailand.

### Korea – Enterprise Resource Planning Solutions

*Source: U.S. & Foreign Commercial Service – Korea.* The Korean market demand for Enterprise Resource Planning (ERP) solutions more than doubled from 1999 through 2001 as Korean companies sought ERP solutions to make their information systems more responsive to customers' needs.

The Korean ERP market demand was valued at US\$211 million in 2001, an increase of 43% in real terms over 2000.

Extended ERP solutions include Customer Relationship Management (CRM), Supply Chain Management (SCM), Strategic Enterprise Management (SEM), Product Lifecycle Management (PLM), Enterprise Portal (EP), and e-Marketplace.

An important factor which will lead to increased Korean market demand for both CRM and SCM in the near future is the Korean government's new tax deduction policy, if adopted. The Ministry of Information & Communication announced on February 15, 2002, that the government is considering tax deduction benefits for companies which adopt CRM or SCM.

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### Mexico – Customs Procedures for Exporting

*Source: U.S. & Foreign Commercial Service – Mexico.* For new-to-market U.S. companies, the U.S. & Foreign Commercial Service provides an export guide which presents the customs regulations, formalities, and practices to be followed when exporting to Mexico from the U.S.

A few key points are as follows:

- All products exported go through a customs clearance before entering the country. This clearance includes the consent of the U.S. Customs authority to export the products from the U.S. and the corresponding authorization of the Mexican Customs authority to import them.
- Before shipping the products to Mexico, the exporter must be sure the Mexican company importing the product is properly registered with the Mexican authorities as an importer.
- A Mexican Customs Broker (MCB) is required to process all commercial exports and the use of a U.S. Customs Broker is strongly recommended. The MCB will prepare the customs entry form – the only document the Mexican Customs Office (MCO) will accept for clearing the import of products into the country.

### Coffee – Annual 2002 Reports

To help Hawaii coffee manufacturers and suppliers keep updated on worldwide competition and trends, the U.S. Department of Agriculture's Foreign Agricultural Service publishes periodic coffee reports

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## Hong Kong News (please request reports for more details)

### Hong Kong Government Seeks Partners in Public Sports/Recreation Services

*Source: U.S. & Foreign Commercial Service – Hong Kong.* The Hong Kong Special Administrative Region (HKSAR) Government is seeking partners to provide public sports and recreational services in the Tuen Mun and Tung Chung districts, under a Public Private Partnership (PPP) arrangement.

The HKSAR Leisure and Cultural Services Department (LCSD) manages and develops recreational and sports facilities for public use.

For the Tung Chung district project, however, the government is seeking a partner to design, build, finance, operate and maintain all the facilities. The Tung Chung project comprises an indoor recreation center, swimming pools, and open space area, and a library. The procurement of library books and the employment of librarians will, however, remain the responsibility of the LCSD.

The government plans the Tuen Mun project to be a venue for extreme/alternative sports activities (such as inline skating, skateboarding) and preferably those not available elsewhere in Hong Kong. Partners will be free to choose the kind of extreme sports facilities and other complementary facilities that they wish to provide.

For more details Hawaii companies and organizations interested in partnering with the Hong Kong government to develop these two projects should contact the HKSAR Government's Mr. Steve Barclay: Head, Efficiency Unit, The Government of the Hong Kong Special Administrative Region, 13/F, West Wing, Central Government Offices, 11 Ice House Street, Hong Kong, Tel: +852-2810-3463; Fax: +852-2524-7267; E-mail: [sbarclay@eu.gcn.gov.hk](mailto:sbarclay@eu.gcn.gov.hk)

Please also copy your initial expression of interest to Ms. Swee-keng Cheong, Commercial Specialist, U.S. Commercial Service, American Consulate General, 26 Garden Road, Central, Hong Kong, Tel 852-2521-5233, Fax: 852-2845-9800 E-mail: [Swee-keng.Cheong@mail.doc.gov](mailto:Swee-keng.Cheong@mail.doc.gov)

## Japan News

### In the News

#### U.S. Files WTO Case against Japan over Unfair Restrictions on American Apples

*Source: U.S. Trade Representative.* The Office of the U.S. Trade Representative announced on May 10, 2002, that they are initiating a case at the WTO against Japan for unfairly restricting imports of American apples.

The Japanese refuse to import almost any American apples even though the apples are certified as safe by U.S. authorities. Joint U.S.-Japanese scientific research has demonstrated that the apples are free of fire blight, a plant bacterial disease that Japan claims is the basis of its plant restrictions on U.S. imports.

For many years, the U.S. has sought to increase access for U.S. apples in the Japanese market, but to no avail. In pursuing the case at the WTO level, the U.S. will argue that Japan is violating international trade rules by blocking American apples without any scientific or health basis.

*Source: U.S. Department of Agriculture – Agricultural Trade Office Tokyo.* Recent reports from various Japanese mass media and food press are below:

- Wal-Mart announced it will become a 6.1% stockholder of Seiyu supermarket retailer, with plans to increase its share to 66.7% in the future. Wal-Mart's total investment is expected to go as high as US\$2 billion. (3/16/02 issue of *The Nikkei Marketing Journal*)
- McDonald's Japan plans to close a record 130 outlets in 2002, due to the decline in sales following the detection of BSE. (3/17/02 issue of *The Japan Economic Newspaper*)
- It was revealed on April 2 that Robinson Department Store in Odawara, Kanagawa has been disguising U.S. beef as domestic beef, and normal pork as herb-fed pork. Robinson's is a subsidiary of Ito-Yokado. (4/2/02 issue of *The Japan Economic Newspaper*)
- As a result of Daiei's recent corporate restructuring efforts, the company registered an overall decline in sales of only 2% in March 2002, compared to the same month last year, down from a decline of 8% in February. However, Daiei is likely to face a new challenge now that U.S.-based Wal-Mart has decided to enter the Japanese market. (3/27/02 issue of *The Japan Economic Newspaper*)
- U.S.-based Outback Steakhouse, operators of the world's largest steakhouse chain, plans to open 28 outlets in Japan by March 2005. The company currently operates four outlets in Japan and plans to aggressively expand its presence in the Asia Pacific region, starting from its Japan base. (4/4/02 issue of *The Nikkei Marketing Journal*)
- According to the Japan Chain Stores Association, total sales of member supermarkets in February declined 4.8% on a same-store basis compared to the same month last year. It was the 39th consecutive month of not achieving the previous year's sales level. Food sales alone declined 2.2% during the same period, due in large part to historically low fresh vegetable prices resulting from a warm winter.



#### Japan's MBA Program Market

*Source: U.S. & Foreign Commercial Service – Japan.* As a result of Japan's stagnant economy, the Japanese business world has changed its life-long employment system, and as a result, the need for degrees or certificates that will strengthen a holders' position in the employment market is rising.

The current Japanese mindset is that an MBA is a degree to be earned abroad. The U.S. is by far the preferred destination. However, competition from the U.K. is increasing, and more recently competition from Australia is emerging.

Competition from Japanese schools is very low at present, although it may become stronger in the future.

U.S. schools are advised to enhance marketing efforts and respond to the needs of the market including conditional admission for stu-

dents who did not meet TOEFL score requirements.

Interest in earning a MBA degree is expanding – 5,516 people with Japanese citizenship took the GMAT in 1999-2000. The number has increased in the past five years.

Although the life-long employment system is collapsing, the labor market is still not very flexible in Japan. Many people who wish to go abroad to enroll in MBA programs are hesitant to leave their present jobs. This may be an obstacle for U.S. business schools, but it creates good opportunities for distance learning systems, especially for e-learning programs. The U.K. seems to be aware of this opportunity, with a few top business schools offer degrees by distance learning.

U.S. schools could also open campuses in Japan for MBA study. Temple University's Japan Campus offers an executive MBA program with admission about 30 students a year. Courses are given on Saturdays (two year course), taught in English, and the first year academic fee is 2 million yen (some meals included).

#### Seeds & Nursery Plants

*Source: Japan External Trade Organization (JETRO).* The report focuses on importable seeds and nursery plants for growers in Japan.

Demand for potted plants went through a gardening boom that started around 1993, and continued to grow steadily until 1998. The boom slowed down after 1999. As the domestic market has shrunk, it has reduced imports of seeds, nursery plants, bulbs, and tubers in the past few years.

The challenge is to find items that suit the Japanese climate – generally hot & humid in the summer, and cold & dry in the winter. A key to penetrating the Japanese market is to promote patently distinctive items, such as species & varieties that have yet to be introduced to Japan, or those with high added value or high productivity.

While the Japan seed market is led by large companies, the nursery plant market has more room for flexible, small businesses to be active.

As production costs are very high in Japan, the shifting of production to overseas locations is advantageous, and has been increasing year by year. This trend will continue to increase in the future.

#### U.S. Seed Exports

*Source: U.S. Department of Agriculture. AgExporter, April 2002 issue.* According to Japan import statistics, the U.S. captured just over one-third of the Japanese market for planting seeds in 2000.

Key to that growth are 1) phytosanitary barriers that do not significantly impede seed imports, & 2) Japan subscribes to the International Convention for the Protection of New Varieties of Plants, so registered breeds are protected, including seeds developed through biotechnology.

However, U.S. planting seed sales were dealt a blow by a media campaign in June 2001 undertaken by a consumer group, reporting that two biotech varieties have been detected in Japanese imports of corn seed from the U.S. and marketed as non-biotech. Although both of the biotech varieties have Japanese approval for use as feed and food, they are not approved for planting. As a result, the Japanese planting seed industry remains seriously concerned about biotech products.

In spite of this, the number of applications for new seed varieties received by the Japanese government has increased, and that demonstrates the vibrant research activity taking place, and it holds well for market development and future commercial demand.



**Governor's Exporter of the Year***(Continued from page 1)*

plicant's total products and/or services sales and/or exceeds the industry's average percentage.

- Nominees must be registered to do business in the state of Hawaii and be in good standing.
- Nominees must have a sponsoring organization, such as a financial institution or a business/industry association, in order to submit an application.

Co-sponsoring this program with DBEDT is the Department of Agriculture. Supporting organizations are the U.S. Small Business Administration, the U.S. Department of Commerce, the Agricultural Leadership Foundation of Hawaii and the *Pacific Business News*.

For more information, contact: Telephone: (808) 587-2584; Fax: (808) 587-3388; E-mail: [exporter@dbedt.hawaii.gov](mailto:exporter@dbedt.hawaii.gov)

**New Zealand – Fishing Industry**

Source: U.S. & Foreign Commercial Service – New Zealand. Seafood is New Zealand's fourth largest export product sector – after dairy, meat and timber.

As seafood exports have been increasing annually, the industry is making significant investment moves in new processing equipment and new storage and handling facilities.

In addition, there is further room for growth in the aquaculture industry. Aquaculture research and developing innovative products is the focus of a new multi-million dollar aquaculture facility that opened in New Zealand in mid-April 2002. Aquaculture activities focus mainly on farming Green-shell mussels and king salmon. Further potential aquaculture species include turbot, kingfish, eels, rock lobsters, sea horses, bluff oysters, geoduck clams, as well as some seaweeds and sponges.

**Thailand – Vitamins and Nutritional Foods**

Source: U.S. & Foreign Commercial Service - Thailand. Due to a strong interest among the Thai population in health enhancing food products, including vitamins and minerals, herbal products and food supplements, the food supplement market looks promising.

The reasons for this assessment is 1) the increasing health awareness and consciousness among the Thai in general, 2) the promotion of preventative health by the government, 3) the increasing problem of being overweight among young and working women, and 4) the growing concern of the problem of the blood circulatory system among the Thai.

The total Thai market for food supplements

in the past two years (2000-2001) has exhibited a growth rate of 10% and is expected to maintain that level of growth in the next three years.

Food supplements from the U.S. leads the import market with a 20% market share. The entry of General Nutrition Centers (GNC) also boosts the growing demand for food supplements in Thailand and increases the share of the products from the U.S.

In addition, proprietary food supplement formulations in bulk (especially from the U.S.) have a growing demand among pharmaceutical manufacturers in Thailand. With packaging costs much cheaper than in the U.S., this results in a lower selling price. Most pharmaceutical manufacturers are well known and have a technical support and marketing network. It is not difficult for these manufacturers to build up a brand of their own food supplements imported from overseas.

**Coffee Annual—2002***(Continued from page 2)*

regarding the production, supply and demand in various countries.

This is an updated report to the set of reports last mentioned in the June 2001 issue of *Trade Invest Monthly*. Coffee reports are available for the following countries:

-Brazil	-Venezuela
-Philippines	-India
-Indonesia	-Kenya

**Philippines – Electric Power Equipment**

Source: U.S. & Foreign Commercial Service – Philippines. The total market for electric power equipment in 2001 was valued at US\$884.2 million, in which imports accounted for US\$512.3 million (58%).

The electrical power systems market is expected to grow by 8% annually within the next two years. During the same period, imports are projected to increase 10%, following the recent approval of the Electric Power Industry Reform Act of 2001. Overall, the demand for electrical power imports is expected to increase over the next 10 years to meet requirements for expansions, replacement or retirement of existing power plants, rural electrification, construction of transmission lines and substations and interconnection of power grids in Visayas and Mindanao.

Imports from the U.S. currently have a 13% market share, and major competition is from Japan and Germany.

**WUSATA - Export Pricing***(Continued from page 1)*

For an interactive tutorial on how to build export pricing backwards from the shelf, refer to the FAS Web site:

[www.fas.usda.gov/agexport/export\\_plan](http://www.fas.usda.gov/agexport/export_plan)  
This link covers more than just pricing strategies and is a good reference resource with downloadable templates.

**When you can't visit the market**

Often it is not feasible to visit potential markets to survey the retail shelves. Here are some ways to get the information you need without getting on an airplane.

- Unsolicited inquiries: Potential customers should be able to provide certain kinds of information. Ask them about competing products, where they sell and what the margins are. This is often the best source of the item specific, up-to-the-minute information you are seeking.
- Trade show contacts: Same story. Have your questionnaire ready.
- Your State Department of Agriculture, WUSATA, and FAS: These folks have many contacts in markets that can provide help in gathering pricing information. Sharing your project and asking for help is the way to find out if there is a specific resource available.

*WUSATA is a non-profit organization comprised of 13 state funded agricultural promotion agencies that promotes the export of food & agriculture products from the Western region of the U.S. It provides a wide range of services to facilitate trade between local food companies & importers around the world.*

**Report Request Form****Trade Invest Monthly****Hawaii's International Business Network**

Company: \_\_\_\_\_

Contact person: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City: \_\_\_\_\_

Zipcode: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Email: \_\_\_\_\_

**Report(s) requested:**☐ Thailand – Aquaculture Equipment & Products☐ Korea – ERP Solutions☐ Mexico—Customs Procedures for Exporting☐ Thailand—Vitamins & Nutritional Foods☐ Philippines—Electric Power Equipment☐ Coffee 2002 Annual☐ Brazil ☐ Venezuela☐ Philippines ☐ India☐ Indonesia ☐ Kenya☐ HK Gov't /Partner in Public Sport Svcs.☐ Japan Product Sector Reports☐ Japan's MBA Program☐ Seeds & Nursery Plants**OTHER REPORTS (reference issue date):**

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